

# **Chapter 8**

## **Retirement Benefits**

## RETIREMENT BENEFITS

Employees may receive retirement benefits under the following conditions:

**NORMAL** - At age 65 the member is eligible to receive retirement benefits for their lifetime. The benefit would be calculated using the member's final average compensation, multiplied by their total years of creditable service and the formula factor of  $3 \frac{1}{2}\%$  (for anyone with service on or after July 15, 1992).

**EARLY** - At ages 55-65 the member is eligible to receive retirement benefits for their entire lifetime. The benefit would be calculated using the 'normal' formula and reduced using an actuarial factor based on age (rounded to the nearest month).

**LIMITATION** - Effective July 15, 1992, retirement benefits, by law, cannot exceed 70% of the final average monthly salary (20 years x  $3 \frac{1}{2}\%$  = 70%). "Final average compensation" is defined as the three 12-month periods in which the judge's salary was the highest, divided by 36 months. If the judge served longer than 20 years, the Retirement Office will base the average monthly salary on the high three years served as a judge, not the high three years during which the judge made contributions to the fund. If a judge serves less than three years as a judge, the Retirement Office will use the average monthly salary for the months served.

**FEDERAL LAW** - Our state laws have conformed with the federal law requiring each plan member who is no longer actively employed as a judge to begin retirement payments no later than 60-days after the end of the year they reach age  $70 \frac{1}{2}$ .

Retirement benefits are not paid automatically. The member must request an Application for Retirement form, in writing, approximately 90-days before their last day of work. (See sample form). An application may be on file in the Retirement Office no more than 90-days prior to the effective date of retirement.

The effective date of retirement would be the first day of the month following: (1) the day the member ceases employment OR (2) the day the completed application is filed, whichever is later.

Prior to receiving benefits, the member must have all service and salary verified, have proof of age on file for themselves and their spouse and proof of marriage, if the retirement benefit they select will provide a benefit to their spouse.

A member may receive estimates of monthly benefits by sending a written request to the Retirement Office.

### **PROOF OF AGE**

Methods for certifying proof of age are sent to the member with the Application for Retirement form.

### **DIRECT DEPOSIT**

Members may request direct deposit of their monthly retirement benefit. A Direct Deposit Agreement must be requested from the Retirement Office. (See sample form) The white copy of the form is to be returned to our office with a void check attached. The yellow copy is to be kept for the member's records.

## INCOME TAXES

Retirement benefits will be taxed based on the 'Safe Harbor' method, issued by the Internal Revenue Service, Notice 98-2I.R.B. 1998-2, dated January 12, 1998.

Federal law requires income tax withholding from retirement annuity payments unless the member requests not to have federal tax withheld. The tax-free portion of monthly retirement benefits is figured under the exclusion ratio. A portion of each monthly payment will be excluded from taxation using a formula which considers age, life expectancy, cost (contribution prior to 1-1-85), and the amount of the monthly benefit. The remaining portion of the monthly benefit is 'taxable'. After the member has as received the fixed number of payments, the monthly benefit will become 100% taxable.

A letter will be sent with the member's first payment showing the taxable and nontaxable amounts. For additional information, we suggest contacting the Internal Revenue Service and/or a tax consultant.

## DISABILITY RETIREMENT

Disability eligibility for all judges is determined by the Commission on Judicial Qualifications.

**Exception** - Clerk Magistrates (formerly Associate Judges) will have questions on disability decided by the Public Employee's Retirement Board (PERB) and a physician appointed by the Board.

The retirement laws define disability as 'physically or mentally incapable of further performing his or her duties and should be retired'

If the member ceases employment due to a disability, they may be eligible for monthly retirement benefits. The member, their employer or a person acting on the member's behalf may request an Application for Retirement form from this office within one-year of the date they cease employment due to the disability. (See example form).

A medical examination by a physician selected by the Public Employees Retirement Board is required.

A disability benefit is calculated in the same manner as a regular retirement benefit. There is no actuarial age reduction if a member is disabled before age 65.

NOTE: Disability retirement benefits are not the same as disability insurance benefits. In fact, if a member also has a disability insurance policy through an outside source, any payments may be offset by the retirement benefit. Individuals should check their insurance policy.

## **REEMPLOYMENT**

If a judge is reemployed, they will need to complete a new Membership Registration AND update their beneficiary designation. They should also consider the following:

- a) If a refund was previously taken, the member may elect to repay the refund. (See Purchase of Service)
- b) If the member elects NOT TO REPAY the refund, they will enter the system as a new member. Service credit canceled due to a refund CANNOT be counted when determining monthly payments at retirement unless the refund is repaid.
- c) If the member did NOT receive a refund of their account, the service credit they acquire will be added to their previous service when determining total years of creditable service for retirement purposes.

# APPLICATION FOR RETIREMENT ANNUITY